Sino Prosper Holdings Limited

中盈控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 766)

ANNUAL REPORT 2007

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. LEUNG Ngai Man *(Chairman)*
Mr. TANG Yan Tian *(Chief Executive Officer)*
Mr. YEUNG Kit
Mr. WONG Wa Tak

NON-EXECUTIVE DIRECTOR

Mr. GAO Shi Kui
(appointed on 23 June 2006)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CAI Wei Lun
Mr. CHAN Sing Fai
Dr. LEUNG Wai Cheung

QUALIFIED ACCOUNTANT

Ms. CHUAH Meng Meng

COMPANY SECRETARY

Ms. CHIU Ngan Ling Annie
(appointed on 16 June 2006)

HONG KONG LEGAL ADVISORS

Chiu & Partners

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units D-E
7th Floor
Neich Tower
128 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Secretaries Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of Sino Prosper Holdings Limited (the "Company"), I present the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2007.

BUSINESS REVIEW

For the year ended 31 March 2007, the Group recorded a turnover of (i) approximately HK$4,064,000 from the sale of asphaltic rocks (year ended 31 March 2006: approximately HK$1,867,000) and (ii) approximately HK$16,074,000 from the sale of copper concentrate powder (year ended 31 March 2006: Nil). This represents an increase in turnover of approximately 979% as compared to last year. For the year ended 31 March 2007, the Group's net loss attributable to shareholders was approximately HK$122,173,000 (year ended 31 March 2006: approximately HK$29,913,000).

The Group has been transforming to focus its development on energy and resources businesses, which are still at initial and developing stage. The following sets out briefly the progress of these projects, which the Group has been working on.

1. CNPC Sino Prosper Petroleum and Gas Company Ltd ("CNPC")

On 15 March 2005, Sino Prosper Gas Limited ("SPGL"), a wholly-owned subsidiary of the Company, and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited ("Hengsheng Shimao") agreed to set up a sino-foreign equity joint venture company in the People's Republic of China ("PRC"), namely, CNPC.

On 25 February 2007, the Ministry of Commerce of the PRC has issued a letter which approved the establishment of CNPC and the Guangdong Provincial Administration for Industry & Commerce has on 30 April 2007 issued CNPC with its business licence. The total investment amount of CNPC is RMB125 million, and the registered capital is RMB50 million which will be contributed as to RMB47.5 million in cash by SPGL from internal resources of the Group and as to RMB2.5 million in cash by Hengsheng Shimao. CNPC will be principally engaged in the wholesale and commission agency of fuel oil and related supporting and consultation services.

Chairman's Statement

The Group has already started certain preparatory works for CNPC's business which is expected to commence business in the third quarter of 2007. The Group has also taken steps to seek suppliers and customers for the fuel oil business. The Group expects that the business of CNPC will become one of the principal income streams of the Group commencing in 2008.

2. Acquisition of Mineral Trading Company, Hainan Tairui Mining Development Company Limited ("Hainan Tairui")

In February 2007, the Group completed the acquisition of 95% equity interest in Hainan Tairui, from an independent third party for a consideration of approximately RMB1.9 million. Hainan Tairui has the requisite licence for, among others, processing of minerals and sales of ferrous and non-ferrous products in the PRC.

Subsequent to its acquisition of Hainan Tairui, the Group has set up Hainan Tairui Mining Development Company Limited, Yunnan branch (the "Yunnan Branch") in Kunming, Yunnan Province. Yunnan Branch has obtained its business licence on 14 March 2007. Its approved business scope includes sales of ferrous and non-ferrous products. Currently, the Yunnan Branch is principally engaged in the trading of copper concentrate powder, and a number of sale transactions have been completed.

3. Indonesia-Bitumen Joint Venture Extraction Project

The Group has been actively engaged in the mineral resources exploration project in Indonesia through a 65%-owned joint venture, namely P.T. Sino Prosper Indocarbon ("Indocarbon"). Indocarbon owned the right to carry out general exploration on mineral resources of a total of 22,076 hectares of land in the area of Buton Bitumen Mine, and the right has been extended for another year pursuant to the laws and regulations of Indonesia. Among the total of 22,076 hectares of land, the detailed exploration work over 1,150 hectares of land has begun.

In addition, Indocarbon has successfully developed a new extraction technology in collaboration with the China Petroleum and Chemical Designing Institute and China University of Petroleum. The new extraction technology achieved a speed enhancement of 50% as compared with the previous means of extraction. This helps to reduce the time required for the extraction of oil reserves, the energy used and the overall cost.

Chairman's Statement

OUTLOOK AND NEW DEVELOPMENTS

The Group will continue to take a prudent yet proactive approach to new investment opportunities, including exploration of potential energy projects both in China and overseas to capture the business opportunities arising from China's rapid economic development.

FINANCIAL REVIEW

Net assets

As at 31 March 2007, the Group recorded total assets of approximately HK$280,513,000 (as at 31 March 2006: approximately HK$203,751,000), which were financed by liabilities of approximately HK$15,894,000 (as at 31 March 2006: approximately HK$13,078,000). The Group's net asset value as at 31 March 2007 increased by 39% to approximately HK$264,619,000 as compared to approximately HK$190,673,000 as at 31 March 2006.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows. For the year ended 31 March 2007,

(i) 74,900,000 shares were issued upon the exercise of share options at exercise prices ranging from HK$0.34 to HK$0.71 per share, giving rise to aggregate net proceeds of approximately HK$50,091,000; and

(ii) 49,763,158 shares were issued by way of placing of new shares pursuant to a subscription agreement dated 24 January 2006 entered into between the Company and Beijing China Metallurgy Investment Limited at the subscription price of HK$0.80 per share, giving rise to aggregate net proceeds of approximately HK$39,790,000.

As at 31 March 2007, the Group had cash and bank balances of approximately HK$258,960,000 (as at 31 March 2006: approximately HK$135,064,000). Its gearing ratio calculated as a ratio of interest bearing net debt to shareholders' funds was nil (as at 31 March 2006: Nil). Net current assets totalled approximately HK$264,344,000 (as at 31 March 2006: approximately HK$190,184,000) and the current ratio was maintained at a level of approximately 17.96 (as at 31 March 2006: approximately 16.12).

Chairman's Statement

TREASURY POLICIES

The Group does not engage in any interest rates, currency speculation and operate deposit banking accounts with principal bankers in Hong Kong, the PRC and Indonesia. The interest rates of these are fixed by reference to the respective countries interbank offer rate. The Group maintains sufficient funding resources to execute its exploration and development business plans and generally takes a prudent and cautious approach to cash application and investment for its capital commitments, particularly in respect of the Group's business in natural resources in the mining, energy and infrastructure where may require heavy investments required.

CONTINGENT LIABILITIES

As at 31 March 2007, the Group had no contingent liabilities (as at 31 March 2006: Nil).

CAPITAL COMMITMENTS

As at 31 March 2007, the Group had the following commitments which were not provided for in the financial statements:

	2007	2006
	HK$'000	*HK$'000*
Authorised and contracted for:		
Acquisition of the land use right in the PRC *(Note (i))*	**1,300**	–
Investment in a joint venture company *(Note (ii))*	**47,500**	44,811

Notes:

(i) On 25 February 2007, the Group entered into the agreement for the acquisition of land use right in the PRC.

(ii) It refers to the Group's investment in CNPC, brief details of which have been set out in the paragraph headed "CNPC Sino Prosper Petroleum and Gas Company Ltd. ("CNPC")" under the section headed "Business Review" above.

Chairman's Statement

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenues and incurs costs in Renminbi, United States dollar, Indonesian Rupiah and Hong Kong dollar. The Group's foreign exchange exposure is therefore minimal as long as the policy of the Government of Hong Kong Special Administrative Region to link the Hong Kong dollar to the United States dollar remains in effect. For the Group's investment in a subsidiary in Indonesia, purchases and sales are denominated in United States dollar, foreign exchange translation exposure is therefore minimal.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 March 2007, the Group employed 51 full-time employees in the PRC, Hong Kong and Indonesia. The Group remunerated its employees based on their performance, qualifications, work experience and prevailing market prices. Performance related bonuses are granted on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and share option scheme.

CONCLUSION

On behalf of the Group, I would like to thank our business partners for their cooperation and support. I would also like to take this opportunity to thank our Board, staff and valued partners in business for their contribution and efforts throughout the year. We will continue to strive for outstanding results for the Group and better returns for our investors.

Leung Ngai Man
Chairman

Hong Kong, 27 July 2007

Management Profile

DIRECTORS

Mr. LEUNG Ngai Man, aged 46, is the founder and Chairman of the Group. He was appointed as an executive Director in 2001. He is also a director of all of the Group's subsidiaries. Mr. Leung has over 20 years' experience in the areas of trading, property development and management in the PRC. Mr. Leung was first engaged in the PRC business in 1983, since then he established an extensive network and relationship with numerous PRC companies and authorities. Mr. Leung commenced business in the property development sector in the 1990s. He was previously a vice chairman and general manager of China Land Group Limited (now known as China Velocity Group Limited), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited, and principally engaged in the property development and investment in the PRC. Mr. Leung is currently the director of Climax Park Limited, which has an interest in such number of shares of the Company under Divisions 2 and 3 of Part XV of Securities and Futures Ordinance as disclosed in the section headed "Substantial Shareholders and Other Persons' Interests and Short Positions in Shares and Underlying Shares" in this annual report.

Mr. TANG Yan Tian, aged 56, joined the Group in 2005. He was appointed as an executive Director and the Chief Executive Officer of the Company in 2005. He is also a director of Sino Prosper Resources Limited and Sino Prosper Gas Limited, the wholly-owned subsidiaries of the Company. Mr. Tang graduated from the Mechanical Engineering Faculty of Jilin Industrial University and the English Language and Foreign Trade Faculty of The University of International Business & Economics, Beijing, China. He also obtained a Master's degree in Computer Science from The City University of New York, United States of America. He has 30 years of technical and management experience in project development and feasibility studies, international marketing and system engineering in the infrastructure, environmental protection and energy sectors. Mr. Tang has been involved in projects in oil refinement, energy and auto industries, which include bitumen extraction project in Indonesia. Mr. Tang had worked with China National Machinery & Equipment Import & Export Corporation ("CMEC") for over 6 years before becoming the director of Sino-Overseas Machinery & Tech. Corp., a subsidiary of CMEC in the United States of America.

Management Profile

Mr. YEUNG Kit, aged 44, joined the Group in 2001. He was appointed as an executive Director in 2002. He is also a director of Sino Prosper Resources Limited, Sino Prosper Gas Limited, Joint Profit Group Limited, Konrich (Asia) Limited, Sino Prosper Medical Technology Limited, Sino Prosper LNG Limited and Sino Prosper Coal Mining Investment Limited, all being wholly-owned subsidiaries of the Company. Mr. Yeung has over 10 years' experience in the field of banking and finance, and more than 14 years' experience in the area of China trade and investment.

Mr. WONG Wa Tak, aged 44, joined the Group in 2005. He was appointed as an executive Director in 2005. He is also a director of Sino Prosper Resources Limited, Sino Prosper Gas Limited and P.T. Sino Prosper Indocarbon, all being wholly-owned subsidiaries of the Company. Mr. Wong graduated from The Hong Kong Polytechnic University and has extensive experience in the shipping industry for over 10 years, particularly in bulk cargo transportation for petroleum products, chemicals and gas cargoes. Since 1993, he has concentrated on equity investment and business development in the PRC. For the past 14 years, Mr. Wong has been involved in numerous merger and acquisition transactions, covering sectors of real estate development, power plants and toll roads. Mr. Wong also has experience in the usage of asphalt for toll road/ high way construction and maintenance.

Mr. GAO Shi Kui, aged 55, joined the Group in 2006. He was appointed as a non-executive Director in 2006. Mr. Gao has over 34 years' experience in the areas of exploration, development, production and sales of crude oil and has held various senior positions in companies of these fields. Mr. Gao has been the director and president of China Everbright Petroleum (International) Limited and China Everbright Petroleum Exploration & Investment Co., Ltd. since November 1998. Mr. Gao is also the deputy chairman of executive of the Society of China Petroleum – Guangdong Province Petroleum and the deputy chairman of the Petroleum Society of All-China Federation of Industry and Commerce.

Mr. CAI Wei Lun, aged 52, joined the Group in 2004. He was appointed as an independent non-executive Director in 2004 and has over 18 years' experience in the property development sector in the PRC.

Mr. CHAN Sing Fai, aged 51, joined the Group in 2002. He was appointed as an independent non-executive Director in 2002. He is also the chairman of Finnex Development Limited. Mr. Chan has about 25 years' experience in property development and management. He obtained a Master's Degree in Business Administration from The Chinese University of Hong Kong in 1981.

Management Profile

Dr. LEUNG Wai Cheung, aged 42, joined the Group in 2004. He was appointed as an independent non-executive Director in 2004. He is a qualified accountant and chartered secretary with over 18 years' experience in accounting, auditing and financial management. Dr. Leung holds a Bachelor of Commerce degree in Accounting and subsequently obtained a postgraduate Diploma in Corporate Administration, a Master's degree in Professional Accounting and a Doctoral degree of Philosophy in Management. He is an associate member of the Hong Kong Institute of Certified Public Accountants, CPA Australia, the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Companies Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is the chief financial officer and company secretary of FlexSystem Holdings Limited, a company listed on growth enterprise market of The Stock Exchange of Hong Kong Limited and an independent non-executive director of Mobicon Group Limited and Wing Hing International (Holdings) Limited, both being comparies listed on the main board of The Stock Exchange of Hong Kong Limited.

SENIOR MANAGEMENT

Mr. Kingston Lee, aged 48, joined the Group in 2006. Mr. Lee is the Chief Operating Officer of the Company. Mr. Lee has over 21 years' experience in the areas of management of project development, toll road, gold mining, real estate and logistics in the PRC and overseas. Mr. Lee has held various senior positions in companies of these fields in Hong Kong and overseas listed companies.

Ms. CHIU Ngan Ling Annie, aged 39, joined the Group as Company Secretary in 2006. Ms. Chiu holds a Bachelor's degree in Arts majoring in Accountancy from the Hong Kong Polytechnic University. She has worked in an international accounting firm and has over 16 years' experience in the field of auditing, accounting, finance and company secretarial administration. She is a fellow member of The Association of Chartered Certified Accountants, an associate member of Hong Kong Institute of Certified Public Accountants and a member of Hong Kong Securities Institute.

Ms. CHUAH Meng Meng, aged 37, joined the Group in 2004 as the Financial Controller and was appointed as Qualified Accountant of the Group in July 2006. Ms. Chuah is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and a Chartered Accountant with the Malaysian Institute of Accountants. Ms. Chuah holds a Bachelor's degree in Accountancy and has more than 15 years' experience in auditing, accounting and financial management in multinational companies and listed companies in Hong Kong and the PRC.

Ms. WU Wei Hua, aged 36, joined the Group in 1996. Ms. Wu is the Finance Manager of the Group in the PRC. Ms. Wu has more than 11 years' experience in the accounting field.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

Sino Prosper Holdings Limited ("Company") is committed to maintaining high standards of corporate governance practices required of publicly listed companies in Hong Kong. The Company has adopted the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The board ("Board") of directors ("Directors") of the Company periodically reviews the corporate governance practices of the Company to ensure its continuous compliance with the Code. Save and except as hereinafter mentioned, the Company has complied with the Code for the year ended 31 March 2007:

(i) CODE PROVISION A.4.1

Pursuant to code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election. However, the non-executive and independent non-executive Directors are not appointed for specific terms as required, but are subject to retirement by rotation and re-election at the Company's annual general meetings in accordance with the articles of association ("Articles") of the Company. In order to ensure compliance with the Code, the Company will arrange to fix the terms of offices of each of the non-executive and independent non-executive Directors, subject to earlier determination and the re-election and rotational requirements in accordance with the Articles.

(ii) CODE PROVISION E.1.2

Pursuant to code provision E.1.2 of the Code, the chairman of the board should attend the annual general meeting. However, the Chairman of the Board was absent from the annual general meeting held on 23 August 2006 due to business matters. To ensure compliance with the Code, the Company will arrange to furnish all Directors with appropriate information on the general meetings and take all reasonable measures to arrange the schedule in such a cautious way that Directors and particularly the Chairman of the Board can confirm his attendance to the annual general meeting.

Corporate Governance Report

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code throughout the year ended 31 March 2007.

BOARD OF DIRECTORS

The composition of the Board for the year ended 31 March 2007 and up to the date of this annual report was as follows:

Executive Directors

Mr. Leung Ngai Man *(Chairman)*
Mr. Tang Yan Tian *(Chief Executive Officer)*
Mr. Yeung Kit
Mr. Wong Wa Tak

Non-executive Director

Mr. Gao Shi Kui (appointed on 23 June 2006)

Independent Non-executive Directors

Mr. Cai Wei Lun
Mr. Chan Sing Fai
Dr. Leung Wai Cheung

Corporate Governance Report

The biographical details of the Directors are set out on pages 8 to 10 of this annual report. The Board possesses a balance of skill and experience which is appropriate for the requirements of the business of the Group. The opinions raised by the independent non-executive Directors in the Board meetings facilitate the maintenance of good corporate governance practices. A balanced composition of executive, non-executive and independent non-executive Directors also generates a strong independent element on the Board, which allows independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers the three independent non-executive Directors to be independent.

As at the date of this annual report, there is no financial relationship between any of the Directors, nor is there any business, family or other material or relevant relationships among the members of the Board.

BOARD MEETINGS

It is intended that regular Board meetings should be held at least four times a year, at approximately quarterly intervals to discuss and formulate the overall strategies of the Group, to approve annual and interim results, as well as to review the business operation and the internal control system of the Group. The meeting schedule will be fixed at the beginning of each year. Apart from these regular Board meetings, the Board will meet on other occasions when a board-level decision on a particular matter is required, such as material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the power to oversee the daily operational matters of the Group to senior management under the supervision of the Board.

Corporate Governance Report

For the year ended 31 March 2007, four Board meetings were held and the individual attendance of Directors is set out below:–

Executive Directors	**Attendance**
Mr. Leung Ngai Man	4/4
Mr. Tang Yan Tian	3/4
Mr. Yeung Kit	4/4
Mr. Wong Wa Tak	4/4
Non-executive Director	
Mr. Gao Shi Kui	2/4
Independent Non-executive Directors	
Mr. Cai Wei Lun	2/4
Mr. Chan Sing Fai	4/4
Dr. Leung Wai Cheung	3/4

The Directors attended Board meetings in person or through electronic means in accordance with the Articles.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The segregation of roles of the Chairman and the CEO has been in place. The Chairman is Mr. Leung Ngai Man while the CEO is Mr. Tang Yan Tian. There is a clear division of responsibilities between the Chairman and the CEO, in that the Chairman is primarily responsible for overseeing the operation of the Board, while the CEO is mainly responsible for managing the day-to-day operations of the Group.

NON-EXECUTIVE DIRECTORS

Under code provision A.4.1 of the Code, the non-executive directors of the listed issuers should be appointed for a specific term, subject to re-election.

Corporate Governance Report

Currently, the non-executive Director and three independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Articles. To ensure compliance with the Code, the Company will fix the terms of office of each of the non-executive and independent non-executive Directors as aforesaid.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee.

The Board is empowered under the Articles to appoint any person as a Director either to fill a casual vacancy or as an additional member of the Board. New Directors appointed by the Board must retire and be re-elected at the first general meeting after his appointment under the requirements of the Articles.

The selection criteria of new Directors are mainly based on the professional qualification and experience of the candidate for directorship. Nomination procedure has been in place, pursuant to which (i) an interview/meeting will be conducted with the candidates for Directors; and (ii) Board meeting may be held to consider, if thought fit, to approve the appointment of the new Directors. The Chairman of the Board is responsible for nominating any suitable person to join the Board if considered necessary, such nomination will have to be approved by the Board.

During the year, Mr. Gao Shi Kui was appointed as the independent non-executive Director on 23 June 2006 by the Board. Such appointment was subsequently approved at the annual general meeting of the Company held on 23 August 2006. As far as the nomination and appointment of the new Director are concerned, no Board meeting was held during the year.

REMUNERATION COMMITTEE

The Remuneration Committee was established with its terms of reference prepared in accordance with the provisions set out in the Code. The roles and functions of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders of the Company. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates should be involved in any decisions as to his own remuneration.

Corporate Governance Report

The members of the Remuneration Committee are as follows:–

Mr. Chan Sing Fai	Chairman *(Independent non-executive Director)*
Mr. Cai Wei Lun	Member *(Independent non-executive Director)*
Dr. Leung Wai Cheung	Member *(Independent non-executive Director)*
Mr. Leung Ngai Man	Member *(Chairman and Executive Director)*
Mr. Yeung Kit	Member *(Executive Director)*

For the year ended 31 March 2007, no Remuneration Committee meeting was held.

AUDIT COMMITTEE

The Audit Committee was established with specific written terms of reference which are not less than the code provisions set out in the Code. The Audit Committee is responsible for reviewing and supervising the financial reporting processes and internal control system of the Group and providing advice on the financial and accounting policies and practices of the Group and ensuring the Group's financial statements and auditors' reports present a true and balanced assessment of the Group's financial position.

During the year ended 31 March 2007, two audit committee meetings were held and the individual attendance of its members is set out below:–

Independent non-executive Directors	
Mr. Chan Sing Fai *(Chairman)*	2/2
Mr. Cai Wei Lun	2/2
Dr. Leung Wai Cheung	1/2

During the aforesaid meetings, members of the audit committee reviewed the Group's annual results of 2006 and interim results of 2007. In addition, the audit committee had also held a meeting with the auditors during the year.

AUDITORS' REMUNERATION

During the year, the Group has not engaged any non-audit services from the auditors ("Auditors") and the auditing services provided by the Auditors were charged at about HK$480,000.

Corporate Governance Report

ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts for the year ended 31 March 2007 which were prepared in accordance with statutory requirements and applicable accounting standards. The Auditors acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 March 2007.

There were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the year ended 31 March 2007.

INTERNAL CONTROLS

The Board has conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, compliance controls and risk management functions. The Internal control system is designed to provide reasonable, but not absolute assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Directors' Report

The directors (the "Directors") of Sino Prosper Holdings Limited (the "Company") present their annual report and the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are investment holding, investment in energy and natural resources related projects and investment in production of raw materials for power generation and construction of highways in the People's Republic of China ("PRC") and other countries. The Group was also engaged in the properly development and management in the PRC, which was discontinued in the current year. Details of the subsidiaries are set out in note 19 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 March 2007 and the state of affairs of the Group at that date are set out in the annual report on pages 32 to 95 of this annual report.

The Directors do not recommend the payment of a dividend in respect of the financial year ended 31 March 2007.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 96 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

Directors' Report

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year are set out in notes 25, 27 and 26, respectively, to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out on page 35 and in note 29 to the financial statements, respectively.

Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2007, the reserves of the Company available for distribution to shareholders comprising the share premium account and accumulated losses amounted to approximately HK$56,372,000 (2006: approximately HK$1,330,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sale to the Group's five largest customers accounted for 100% of the total sale for the year and sale to the largest customer included therein amounted to 79.82%. Purchase from the Group's five largest suppliers accounted for 100% of the total purchase for the year and purchase from the largest supplier included therein amounted to 82.80%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's largest customer or supplier.

Directors' Report

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors:
Mr. LEUNG Ngai Man *(Chairman)*
Mr. TANG Yan Tian *(Chief Executive Officer)*
Mr. YEUNG Kit
Mr. WONG Wa Tak

Non-executive Director:
Mr. GAO Shi Kui (appointed on 23 June 2006)

Independent non-executive Directors:
Mr. CAI Wei Lun
Mr. CHAN Sing Fai
Dr. LEUNG Wai Cheung

In accordance with Article 108(A) of the articles of association ("Articles") of the Company, Mr. Tang Yan Tian, Mr. Yeung Kit and Mr. Wong Wa Tak, all being the executive Directors, will retire as Directors by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting ("Annual General Meeting") of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 8 to 10 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Ngai Man has entered into a service contract with the Company for an initial term of one year commencing from 1 April 2004 which is automatically renewable for the successive terms of one year but not more than an aggregate of three years from the date of initial commencement or subsequent renewal, unless terminated by either party giving not less than three months' notice in writing to the other party.

Directors' Report

Mr. Tang Yan Tian has entered into a service contract with the Company on 22 July 2005 for an initial term of two years commencing from 22 July 2005, which will be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Yeung Kit has entered into a service contract with the Company on 1 January 2005 for an initial term of two years commencing from 1 January 2005, which will be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Wong Wa Tak has entered into a service contract with the Company on 15 January 2005 for an initial term of two years commencing from 15 January 2005, which will be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month' s notice in writing to the other party.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of the subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the related party transactions are set out in note 33 to the financial statements. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Report

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2007, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Listing Rules were as follows:–

(i) Interests and short positions in shares of the Company

	Capacity	Number of ordinary shares *(Note 1)*	Approximate percentage of total issued shares
Executive Directors:			
Leung Ngai Man	Interest of a controlled corporation	300,000,000 (L) 80,000,000 (S) *(Note 2)*	23.54 6.28
Wong Wa Tak	Interest of a controlled corporation	1,600,000 (L) *(Note 3)*	0.13

Notes:

1. The letters "L" and "S" represent the Director's long and short positions in the shares of the Company, respectively.

2. These shares were held and beneficially owned by Climax Park Limited, a company incorporated in the British Virgin Islands and wholly owned by Leung Ngai Man. Climax Park Limited also has a short position for 80,000,000 shares, details of which are set out in section headed "Substantial shareholders and Other Persons' Interests and Short Positions in Shares and Underlying Shares" below. Under the SFO, Leung Ngai Man was deemed to be interested in these 300,000,000 shares and deemed to have a short position of 80,000,000 shares.

Directors' Report

3. These 1,600,000 shares were held and beneficially owned by Master Hill Development Ltd., a company incorporated in Hong Kong with 50% of its shareholdings held and beneficially owned by Wong Wa Tak. Under the SFO, Wong Wa Tak was deemed to be interested in these 1,600,000 shares held by Master Hill Development Ltd.

(ii) Interest in options to subscribe for shares in the Company outstanding under the share option scheme of the Company adopted on 25 April 2002

Name	Capacity	Total number of underlying shares	Approximate percentage of shareholding *(Note 1)*
Leung Ngai Man	Beneficial owner	8,000,000 *(Note 2)*	0.63%
Yeung Kit	Beneficial owner	6,400,000 *(Note 3)*	0.50%
Chan Sing Fai	Beneficial owner	800,000 *(Note 4)*	0.06%
Wong Wa Tak	Interest of a controlled corporation	3,000,000 *(Note 5)*	0.24%
Cai Wei Lun	Beneficial owner	3,400,000 *(Note 6)*	0.27%

Notes:

1. This percentage is calculated on basis of 1,274,163,158 shares of the Company in issue as at 31 March 2007 but does not take into account of any shares which may fall to be allotted and issued upon the exercise of any options or warrants which remained outstanding as at 31 March 2007.

2. Share options carrying rights to subscribe for 8,000,000 shares were granted to Leung Ngai Man on 3 January 2005 pursuant to the share option scheme.

Directors' Report

3. Share options carrying rights to subscribe for 1,400,000 and 6,600,000 shares were granted to Yeung Kit on 1 November 2004 and 12 January 2005 respectively pursuant to the share option scheme. Yeung Kit exercised 1,600,000 share options on 7 February 2006 and as at 31 March 2007, he had 6,400,000 outstanding share options.

4. Share options carrying rights to subscribe for 800,000 shares were granted to Chan Sing Fai on 1 November 2004 pursuant to the share option scheme.

5. Share options carrying rights to subscribe for 7,000,000 shares were granted to Master Hill Development Ltd. on 29 November 2004 pursuant to the share option scheme. 50% of the shareholdings of Master Hill Development Ltd. was held and beneficially owned by Wong Wa Tak. Master Hill Development Ltd. exercised 4,000,000 share options on 8 February 2006 and as at 31 March 2007, it had 3,000,000 outstanding share options. Under the SFO, Wong Wa Tak was deemed to be interested in these 3,000,000 share options held by Master Hill Development Ltd.

6. Share options carrying rights to subscribe for 3,400,000 shares were granted to Cai Wei Lun on 8 May 2006 pursuant to the share option scheme.

Save as disclosed above and other than certain nominee shares in subsidiaries held by certain Directors in trust for the Group, as at 31 March 2007, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Directors' Report

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year and up to the date of this annual report, no Director and his associates is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors to represent the interests of the Company and/or the Group.

ANNUAL CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers all of the independent non-executive Directors are independent.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2007, the interests or short positions of persons, other than a Director or chief executive of the Company, in the shares or underlyings shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO are as follows:

Name of Shareholder	Number of ordinary share/ underlying share *(Note 1)*	Capacity	Approximate percentage of shareholding *(Note 2)*
Climax Park Limited	300,000,000 (L) 80,000,000 (S)	Beneficial owner *(Notes 3 and 4)*	23.54%
CMEC International Trading Import & Export Co., Ltd.	80,000,000 (L)	Beneficial owner *(Note 3)*	6.28%

Directors' Report

Name of Shareholder	Number of ordinary share/ underlying share *(Note 1)*	Capacity	Approximate percentage of shareholding *(Note 2)*
China National Machinery & Equipment Import & Export Corporation	80,000,000 (L)	Interest of a controlled corporation *(Note 3)*	6.28%
Kan Che Kin, Billy Albert	212,460,000 (L)	Beneficial owner	16.67%
Kan Kung Chuen Lai	212,460,000 (L)	Interest of spouse *(Note 5)*	16.67%

Notes:

1. The letters "L" and "S" represent the entity's long and short positions in the shares and underlying shares of the Company respectively.

2. This percentage is calculated on the basis of 1,274,163,158 shares of the Company in issue as at 31 March 2007 but does not take into account of any shares which may fall to be allotted and issued upon the exercise of any options or warrants which remained outstanding as at 31 March 2007.

3. Climax Park Limited granted a call option to CMEC International Trading Import & Export Co., Ltd. on 19 July 2005, pursuant to which CMEC International Trading Import & Export Co., Ltd. may require Climax Park Limited to sell to it up to 80,000,000 shares. CMEC International Trading Import & Export Co., Ltd. is a company incorporated in the PRC and wholly owned by China National Machinery & Equipment Import & Export Corporation. Under the SFO, China National Machinery & Equipment Import & Export Corporation was deemed to be interested in the underlying shares of the Company under the call option.

4. Climax Park Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Leung Ngai Man.

5. Kan Kung Chuen Lai is the spouse of Kan Che Kin, Billy Albert. She was deemed to be interested in these 212,460,000 shares in which Mr. Kan Che Kin, Billy Albert was interested under the SFO.

Directors' Report

Save as disclosed above, as at 31 March 2007, no person, other than Directors whose interests are set out in the section headed "Directors' interests and short positions in shares" above, had interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

EMOLUMENT POLICY

The Group's emolument policy, including salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate, and is reviewed and determined by the Directors regularly with reference to the duties, responsibility and performance of individual employees, the legal framework and the market conditions.

The emolument of the Directors will be reviewed by the Remuneration Committee of the Board regularly, such fee was determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

Details of Directors' and employees' emoluments are set out in notes 13 and 14, respectively to the financial statements.

A share option scheme was adopted by the Company on 25 April 2002 to grant share options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. Details of the share option scheme are set out in note 27 to the financial statements.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 27 to the financial statements.

As at 31 March 2007, the Company had 90,600,000 share options outstanding under the share option scheme, which represented approximately 7.11% of the Company's shares in issue as at 31 March 2007. The share options exercised during the year resulted in the issue of 74,900,000 ordinary shares of the Company.

Directors' Report

CONTRACT OF SIGNIFICANCE

During the year, the Group did not enter into any contract of significance with the controlling Shareholder or any of its subsidiaries, nor was there any contract of significance for the provision of services to the Group by the controlling Shareholder or any of its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

TAXATION RELIEF

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float for the year ended 31 March 2007.

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

Directors' Report

POST BALANCE SHEET EVENT

Details of the significant events after the balance sheet date are set out in note 35 to the financial statements.

AUDIT COMMITTEE'S REVIEW

The annual results of the Group for the year ended 31 March 2007 have been reviewed by the Audit Committee.

AUDITORS

The accompanying accounts were audited by Messrs. HLB Hodgson Impey Cheng.

A resolution for their reappointment as auditors of the Company will be proposed at the Annual General Meeting.

On behalf of the Board
Tang Yan Tian
Chief Executive Officer

Hong Kong, 27 July 2007

Independent Auditors' Report

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
SINO PROSPER HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Prosper Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 32 to 95 which comprise the consolidated and company balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report *(CONTINUED)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 27 July 2007

Consolidated Income Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Continuing operations			
Revenue	6	**20,138**	1,867
Cost of sales		**(19,334)**	(1,400)
Gross profit		**804**	467
Other income and gains	8	**6,661**	1,229
Administrative expenses		**(131,300)**	(32,009)
Finance costs	9	**(40)**	(40)
Loss before tax		**(123,875)**	(30,353)
Income tax expense	10	**–**	–
Loss for the year from continuing operations		**(123,875)**	(30,353)
Discontinued operations			
Loss for the year from discontinued operations	11	**–**	–
Loss for the year		**(123,875)**	(30,353)
Attributable to:			
Equity holders of the Company		**(122,173)**	(29,913)
Minority interests		**(1,702)**	(440)
		(123,875)	(30,353)
Loss per share	16		
From continuing and discontinued operations			
Basic and diluted (HK cents per share)		**9.91**	3.13
From continuing operations			
Basic and diluted (HK cents per share)		**9.91**	3.13

Consolidated Balance Sheet

At 31 March 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Non-current assets			
Property, plant and equipment	18	**586**	986
Current assets			
Trade and other receivables	20	**17,269**	64,118
Amounts due from minority shareholders	21	**3,698**	3,583
Bank balances and cash	22	**258,960**	135,064
		279,927	202,765
Current liabilities			
Trade and other payables	23	**15,397**	12,395
Obligation under a hire-purchase contract	24	**186**	186
		15,583	12,581
Net current assets		**264,344**	190,184
Total assets less current liabilities		**264,930**	191,170
Non-current liabilities			
Obligation under a hire-purchase contract	24	**311**	497
Net assets		**264,619**	190,673
Capital and reserves			
Share capital	25	**12,742**	11,495
Share premium and reserves		**250,362**	176,068
Equity attributable to equity holders of the Company		**263,104**	187,563
Minority interests		**1,515**	3,110
Total equity		**264,619**	190,673

The financial statements were approved and authorized for issue by the Board of Directors on 27 July 2007 and signed on its behalf by:

Leung Ngai Man
Director

Yeung Kit
Director

Balance Sheet

At 31 March 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
Non-current assets			
Investments in subsidiaries	19	**78**	78
Current assets			
Other receivables	20	**272**	–
Amounts due from subsidiaries	19	**148,931**	80,030
Bank balances and cash		**22**	7,011
		149,225	87,041
Current liabilities			
Other payables and accruals	23	**1,295**	1,035
Amounts due to subsidiaries	19	**5,139**	56,036
		6,434	57,071
Net current assets		**142,791**	29,970
Net assets		**142,869**	30,048
Capital and reserves			
Share capital	25	**12,742**	11,495
Share premium and reserves	29	**130,127**	18,553
Total equity		**142,869**	30,048

Leung Ngai Man	**Yeung Kit**
Director	*Director*

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2005	9,150	59,480	-	5,063	-	-	71,037	135,580	-	144,730
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(163)	-	(163)	138	(25)
Income and expenses recognized directly in equity	-	-	-	-	-	(163)	-	(163)	138	(25)
Loss for the year	-	-	-	-	-	-	(29,913)	(29,913)	(440)	(30,353)
Total income and expenses recognized for the year	-	-	-	-	-	(163)	(29,913)	(30,076)	(302)	(30,378)
Grant of call options by the Controlling Shareholder (Note 28(b))	-	-	-	-	12,640	-	-	12,640	-	12,640
Placing of warrants (Note 26)	-	-	1,830	-	-	-	-	1,830	-	1,830
Warrants issue expenses	-	(25)	-	-	-	-	-	(25)	-	(25)
Issue of shares upon exercise of warrants (Note 25(i))	1,830	32,940	-	-	-	-	-	32,940	-	34,770
Transfer of reserves upon exercise of warrants	-	1,830	(1,830)	-	-	-	-	-	-	-
Grant of share options (Note 28(a))	-	-	-	2,744	-	-	-	2,744	-	2,744
Issue of ordinary shares upon exercise of share options (Note 25(ii))	515	20,435	-	-	-	-	-	20,435	-	20,950
Transfer of reserves upon exercise of share options	-	3,224	-	(3,224)	-	-	-	-	-	-
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	3,412	3,412
At 31 March 2006	11,495	117,884	-	4,583	12,640	(163)	41,124	176,068	3,110	190,673

Consolidated Statement Of Changes In Equity

For the year ended 31 March 2007

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Warrants reserve HK$'000	Share options reserve HK$'000	Shareholder's contribution HK$'000	Translation reserve HK$'000	Retained profits/ Accumulated loss HK$'000	Total reserves HK$'000	Minority interests HK$'000	Total equity HK$'000
At 1 April 2006	11,495	117,884	-	4,583	12,640	(163)	41,124	176,068	3,110	190,673
Exchange differences arising on translation of foreign operations	-	-	-	-	-	3,102	-	3,102	7	3,109
Income and expenses recognized directly in equity	-	-	-	-	-	3,102	-	3,102	7	3,109
Loss for the year	-	-	-	-	-	-	(122,173)	(122,173)	(1,702)	(123,875)
Total income and expenses recognized for the year	-	-	-	-	-	3,102	(122,173)	(119,071)	(1,695)	(120,766)
Issue of new shares (Note 25(iii))	498	39,313	-	-	-	-	-	39,313	-	39,811
Share issue expenses	-	(21)	-	-	-	-	-	(21)	-	(21)
Grant of share options (Note 28(a))	-	-	-	104,731	-	-	-	104,731	-	104,731
Issue of ordinary shares upon exercise of share options (Note 25(ii))	749	49,342	-	-	-	-	-	49,342	-	50,091
Transfer of reserves upon exercise of share options	-	3,297	-	(3,297)	-	-	-	-	-	-
Cancellation of share options	-	-	-	(44,902)	-	-	44,902	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	100	100
At 31 March 2007	**12,742**	**209,815**	**-**	**61,115**	**12,640**	**2,939**	**(36,147)**	**250,362**	**1.515**	**264,619**

Consolidated Cash Flow Statement

For the year ended 31 March 2007

	Notes	2007 HK$'000	2006 HK$'000
Operating activities			
Loss before tax		**(123,875)**	(30,353)
Adjustments for:			
Finance costs		**40**	40
Gain on disposal of property, plant and equipment		**–**	(2)
Interest income		**(1,187)**	(92)
Depreciation		**500**	380
Equity-settled share-based payments expenses		**104,731**	15,384
Operating cash flows before movements in working capital		**(19,791)**	(14,643)
Trade and other receivables		**7,849**	131,541
Amount due from the Controlling Shareholder		**–**	24
Amounts due from minority shareholders		**(115)**	(3,583)
Trade and other payables		**3,002**	(30,710)
Cash (used in)/generated from operations		**(9,055)**	82,629
Interest received		**1,187**	92
Net cash (used in)/generated by operating activities		**(7,868)**	82,721
Investing activities			
Purchase of property, plant and equipment		**(101)**	(588)
Deposit paid for acquisition of land use right		**(9,000)**	–
Refund/(Payment) of Earnest Money	20(i)	**50,000**	(50,000)
Proceeds from disposal of property, plant and equipment		**1**	11
Repayment of secured promissory note		**–**	3,592
Acquisition of a subsidiary	30	**(1,900)**	–
Net cash generated by/(used in) investing activities		**39,000**	(46,985)
Financing activities			
Net proceeds from issue of ordinary shares	25	**89,881**	55,720
Net proceeds from placing of warrants	26	**–**	1,805
Capital repayment of hire purchase obligations		**(186)**	(186)
Capital contributions from minority shareholders		**–**	3,412
Interest paid		**(40)**	(40)
Net cash generated by financing activities		**89,655**	60,711
Net increase in cash and cash equivalents		**120,787**	96,447
Cash and cash equivalents at the beginning of the financial year		**135,064**	38,642
Effect of foreign exchange rate changes		**3,109**	(25)
Cash and cash equivalents at the end of the financial year		**258,960**	135,064
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**258,960**	135,064

Notes To The Financial Statements

For the year ended 31 March 2007

1. GENERAL

Sino Prosper Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The principal activities of the Company and its subsidiaries (the "Group") are investment holding, investment in energy and natural resources related projects and investment in production of raw materials for power generation and construction of highways in the People's Republic of China (the "PRC") and other countries. The Group was also engaged in the property development and management in the PRC, which was discontinued in the current year (Note 11).

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs has no material effect on how the results and financial position for the current and prior accounting years are prepared and presented. Accordingly, no prior year adjustment has been required.

Notes To The Financial Statements

For the year ended 31 March 2007

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(CONTINUED)*

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material impact on the results and financial position of the Group.

		Notes
HKAS 1 (Amendment)	Capital Disclosures	1
HKAS 23 (Revised)	Borrowing Costs	7
HKFRS 7	Financial Instruments: Disclosures	1
HKFRS 8	Operating Segments	7
HK(IFRIC)-Int 8	Scope of HKFRS 2	2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	3
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	4
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions	5
HK(IFRIC)-Int 12	Service Concession Arrangements	6

Notes:

1. Effective for annual periods beginning on or after 1 January 2007
2. Effective for annual periods beginning on or after 1 May 2006
3. Effective for annual periods beginning on or after 1 June 2006
4. Effective for annual periods beginning on or after 1 November 2006
5. Effective for annual periods beginning on or after 1 March 2007
6. Effective for annual periods beginning on or after 1 January 2008
7. Effective for annual periods beginning on or after 1 January 2009

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Subsidiaries

A subsidiary is an entity that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such entity so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Goodwill

Goodwill arising on an acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of a subsidiary is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Investment in an associate

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Investment in an associate *(continued)*

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognized when the goods are delivered and title has passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent depreciation and impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold improvements	:	20%
Motor vehicles	:	30%
Furniture, fixtures and equipment	:	20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Leasing *(continued)*

The Group as lessee (continued)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the translation reserve.

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Taxation *(continued)*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from minority shareholders and bank balances) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)
Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss has two subcategories, including financial liabilities held for trading and those designated as at fair value through profit or loss on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

At each balance sheet date subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities
Other financial liabilities (including trade and other payables) are subsequently measured at amortized cost, using the effective interest method.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Financial instruments *(continued)*

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Consideration paid to reacquire the Company's own equity instruments are deducted from equity. No gain or loss is recognized in profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment losses (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Share-based payment transactions

Equity-settled share-based payment transactions
For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognized in profit or loss with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits.

For share options granted to suppliers in exchange for goods or services, they are measured at the fair value of the goods or services received. The fair values of the goods or services are recognized as expenses immediately, unless the goods or services qualify for recognize as assets. Corresponding adjustments have been made to equity.

Notes To The Financial Statements

For the year ended 31 March 2007

3. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Mineral resources exploration assets

Mineral resources exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Costs are accumulated on a field-by-field basis. Geological and geophysical costs are expensed as incurred. Costs directly associated with an exploration well, and exploration and property leasehold acquisition costs, are capitalized until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Capitalization is made within property, plant and equipment or intangible assets according to the nature of the expenditure.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets. No depreciation and/or amortization is charged during the exploration and evaluation phase.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate impairment. An impairment loss is recognized for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use. For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of production fields that are located in the same geographical region.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Notes To The Financial Statements

For the year ended 31 March 2007

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes To The Financial Statements

For the year ended 31 March 2007

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(CONTINUED)*

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, amounts due from minority shareholders, trade and other payables, and bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The majority of the Group's transactions, trade and other receivables and payables, and bank balances and cash are denominated in Renminbi, United States dollar. Indonesian Rupiah and Hong Kong dollar and the Group therefore exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

At 31 March 2007, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet.

Notes To The Financial Statements

For the year ended 31 March 2007

5. FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Credit risk *(continued)*

In order to minimize the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt and receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Interest rate risk

The management considers the risk is insignificant to the Group as the Group had no significant interest-bearing long-term receivables and payables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Revenue from sales of asphaltic rocks	**4,064**	1,867
Revenue from sales of copper concentrate powder	**16,074**	–
	20,138	1,867

Notes To The Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the energy and natural resources segment is investment in energy and natural resources related projects and investment in production of raw materials for power generation and construction of highways in the PRC and other countries; and

(b) the property development and management segment is the operations of property development and management in the PRC.

During the year ended 31 March 2007, the Group discontinued its operations of property development and management in the PRC.

In determining the Group's geographical segments, revenue is attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Notes To The Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(CONTINUED)*

Business segments

	Continuing operations		Discontinued operations			
	Energy and natural resources		Property development and management		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
REVENUE						
External sales	**20,138**	1,867	**-**	–	**20,138**	1,867
RESULTS						
Segment results	**(7,441)**	(14,796)	**-**	–	**(7,441)**	(14,796)
Unallocated income and gains					**6,661**	1,229
Unallocated corporate expenses					**(123,055)**	(16,746)
Finance costs					**(40)**	(40)
Loss before tax					**(123,875)**	(30,353)
Income tax expense					**-**	–
Loss for the year					**(123,875)**	(30,353)
ASSETS						
Segment assets	**10,296**	64,199	**-**	–	**10,296**	64,199
Unallocated corporate assets					**270,217**	139,552
Consolidated total assets					**280,513**	203,751
LIABILITIES						
Segment liabilities	**3,350**	381	**10,364**	10,364	**13,714**	10,745
Unallocated corporate liabilities					**2,180**	2,333
Consolidated total liabilities					**15,894**	13,078
OTHER INFORMATION						
Capital additions	**101**	279	**-**	–	**101**	279
Corporate and other unallocated amounts					**-**	309
					101	588
Depreciation	**122**	–	**-**	–	**122**	–
Corporate and other unallocated amounts					**378**	380
					500	380

Notes To The Financial Statements

For the year ended 31 March 2007

7. BUSINESS AND GEOGRAPHICAL SEGMENTS *(CONTINUED)*

Geographical segments

	Hong Kong		PRC		Other Asia Pacific countries	
	2007	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**4,064**	1,867	**16,074**	–	**-**	–
Carrying amounts of segment assets	**15,312**	9,706	**261,090**	187,829	**4,111**	6,216
Capital additions	**-**	309	**-**	–	**101**	279

8. OTHER INCOME AND GAINS

	2007	2006
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,187**	92
Net foreign exchange gains	**5,474**	1,135
Gain on disposal of property, plant and equipment	**-**	2
	6,661	1,229

9. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest on hire-purchase obligation	**40**	40

No interest was capitalized during the year ended 31 March 2007 (2006: Nil).

Notes To The Financial Statements

For the year ended 31 March 2007

10. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits derived from or arising in Hong Kong for the years ended 31 March 2006 and 2007.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 33% (2006: 33%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The tax charge for the year can be reconciled to the loss per the consolidated income statement as follows:

	2007	2006
	HK$'000	*HK$'000*
Loss before tax	**(123,875)**	(30,353)
Tax at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**(21,678)**	(5,312)
Tax effects of income not taxable for tax purpose	**(1,073)**	(266)
Tax effects of expenses not deductible for tax purpose	**18,603**	2,692
Tax effect of deductible temporary differences not recognized	**30**	(2)
Estimated tax losses not recognized	**4,169**	2,908
Utilization of losses not previously recognized	**(51)**	(20)
Tax charge for the year	**-**	–

No deferred tax assets and liabilities are recognized in the financial statements as the Group and the Company did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at 31 March 2006 and 2007.

Notes To The Financial Statements

For the year ended 31 March 2007

11. DISCONTINUED OPERATIONS

The Group discontinued the operations of property development and management in the PRC during the year ended 31 March 2007. The discontinuance was effected in order to streamline the operations of the Group to focus on its core businesses in investment in energy and natural resources related projects and investment in production of raw materials for power generation and construction of highways in the PRC and other countries. For the years ended 31 March 2006 and 2007, no revenue, expenses and pre-tax profit or loss were attributable to these discontinued operations.

The cash flows of the discontinued operations included in the consolidated cash flow statement are set out below:

	2007	2006
	HK$'000	*HK$'000*
Net cash flows from operating activities	-	112,070
Net cash flows from investing activities	-	–
Net cash flows from financing activities	-	–
Net cash flows	-	112,070

Notes To The Financial Statements

For the year ended 31 March 2007

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2007	2006
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments)		
– Salaries and other benefits	**7,053**	5,153
– Equity-settled share-based payments	**103,721**	2,744
– Retirement benefits schemes contributions	**68**	85
	110,842	7,982
Depreciation for property, plant and equipment		
– Owned assets	**206**	86
– Leased assets	**294**	294
	500	380
Operating lease rentals in respect of land and buildings	**1,498**	974
Auditors' remuneration	**480**	400
Expense in relation to the grant of the call option by the Controlling Shareholder to CMEC International Trading Import & Export Co., Ltd. in recognition of the proposed cooperation for the bitumen extraction project with the Group *(Note 28(b))*	**-**	12,640

Notes To The Financial Statements

For the year ended 31 March 2007

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2006: seven) directors were as follows:

For the year ended 31 March 2007

	Fees	Salaries and other benefits	Share based payments	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Leung Ngai Man	-	2,400	-	12	2,412
Mr. Tang Yan Tian	-	480	-	6	486
Mr. Yeung Kit	-	480	-	12	492
Mr. Wong Wa Tak	-	480	-	12	492
Non-executive director					
Mr. Gao Shi Kui (Appointed on 23 June 2006)	-	-	-	-	-
Independent non-executive directors					
Mr. Chan Sing Fai	120	-	-	-	120
Mr. Cai Wei Lun	-	-	4,903	-	4,903
Dr. Leung Wai Cheung	120	-	-	-	120
Total emoluments	240	3,840	4,903	42	9,025

Notes To The Financial Statements

For the year ended 31 March 2007

13. DIRECTORS' EMOLUMENTS *(CONTINUED)*

For the year ended 31 March 2006

	Fees	Salaries and other benefits	Share based payments	Contributions to retirement benefits schemes	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Leung Ngai Man	–	2,400	–	12	2,412
Mr. Tang Yan Tian (Appointed on 19 July 2005)	–	333	–	–	333
Mr. Yeung Kit	–	480	–	12	492
Mr. Wong Wa Tak	–	480	–	15	495
Independent non-executive directors					
Mr. Chan Sing Fai	120	–	–	–	120
Mr. Cai Wei Lun	–	–	–	–	–
Dr. Leung Wai Cheung	120	–	–	–	120
Total emoluments	240	3,693	–	39	3,972

There were no arrangements under which the directors of the Company have waived or agreed to waive any remuneration for the year ended 31 March 2007 (2006: Nil). There were no discretionary bonuses paid to the directors or the highest paid, non-director employees of the Group for the year ended 31 March 2007 (2006: Nil).

Notes To The Financial Statements

For the year ended 31 March 2007

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, none (2006: three) of the directors of the Company whose emoluments are included in the disclosures in Note 13 above. The emoluments of the remaining five (2006: two) individuals are as follows:

	2007 *HK$'000*	2006 *HK$'000*
Salaries and other benefits	**-**	–
Share-based payments expense	**73,542**	2,744
Contributions to retirement benefits schemes	**-**	–
	73,542	2,744

Their emoluments fell within the following bands:

	Number of employees	
	2007	2006
Nil – HK$1,000,000	**-**	1
HK$2,000,001 – HK$2,500,000	**-**	1
HK$14,000,001 – HK$14,500,000	**4**	–
HK$15,500,001 – HK$16,000,000	**1**	–
	5	2

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes To The Financial Statements

For the year ended 31 March 2007

15. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. During the year ended 31 March 2007, the total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK$68,000 (2006: HK$52,000).

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

At 31 March 2007, there were no forfeited contributions available for the Group to offset contributions payable in future years (2006: Nil).

16. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007	2006
	HK$'000	*HK$'000*
Loss for the purpose of basic and diluted loss per share (loss for the year attributable to equity holders of the Company)	**122,173**	29,913

Notes To The Financial Statements

For the year ended 31 March 2007

16. LOSS PER SHARE *(CONTINUED)*

Number of shares

	2007	2006
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,232,969,892**	956,862,465

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2007 *HK$'000*	2006 *HK$'000*
Loss for the year attributable to equity holders of the Company	**122,173**	29,913
Less: Loss for the year from discontinued operations	**-**	–
Loss for the purpose of basic and diluted loss per share from continuing operations	**122,173**	29,913

The computation of diluted loss per share did not assume the exercise of the Company's potential share options granted under the Company's share option scheme since their exercise would have an anti-dilutive effect.

17. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$81,791,000 (2006: HK$63,692,000).

Notes To The Financial Statements

For the year ended 31 March 2007

18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Motor vehicle *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost				
At 1 April 2005	52	980	77	1,109
Additions	155	–	433	588
Disposals	–	–	(11)	(11)
At 31 March 2006	207	980	499	1,686
Exchange adjustments	–	–	1	1
Additions	–	–	101	101
Disposals	–	–	(1)	(1)
At 31 March 2007	207	980	600	1,787
Depreciation and impairment				
At 1 April 2005	10	294	18	322
Provided for the year	42	294	44	380
Eliminated on disposals	–	–	(2)	(2)
At 31 March 2006	52	588	60	700
Exchange adjustments	–	–	1	1
Provided for the year	41	294	165	500
At 31 March 2007	93	882	226	1,201
Carrying amount				
At 31 March 2007	**114**	**98**	**374**	**586**
At 31 March 2006	155	392	439	986

The carrying amount of the motor vehicle held under a hire-purchase contract amounted to approximately HK$98,000 (2006: HK$392,000) at 31 March 2007.

Notes To The Financial Statements

For the year ended 31 March 2007

19. INVESTMENTS IN SUBSIDIARIES

The Company	**2007** *HK$'000*	2006 *HK$'000*
Unlisted shares, at cost	**78**	78

The amounts due from and due to subsidiaries are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts approximate their fair values.

Particulars of the Company's subsidiaries as at 31 March 2007 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company Direct	Percentage of equity interest held by the Company Indirect	Principal activities
Sino Prosper Group Limited	British Virgin Islands	US$10,000	100%	–	Investment holding
Joint Profit Group Limited	Hong Kong	HK$2	–	100%	Provision of administrative services
Konrich (Asia) Limited	Hong Kong	HK$2	–	100%	Investment holding
P.T. Sino Prosper Indocarbon (Note (i))	Indonesia	US$1,250,000	–	65%	Not yet commenced business

Notes To The Financial Statements

For the year ended 31 March 2007

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company Direct	Percentage of equity interest held by the Company Indirect	Principal activities
Sino Prosper Asphalt Investment Limited	Hong Kong	HK$1	–	100%	Investment holding and trading of asphaltic rocks
Sino Prosper Coal Mining Investment Limited	British Virgin Islands	US$1	–	100%	Investment holding
Sino Prosper (States Gold) Investments Limited	Hong Kong	HK$10	–	60%	Not yet commenced business
Sino Prosper Gas Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper Medical Technology Limited	Hong Kong	HK$2	–	100%	Investment holding
Sino Prosper LNG Limited	Hong Kong	HK$1	–	100%	Investment holding
Sino Prosper Resources Limited	Hong Kong/ PRC	HK$1	–	100%	Investment holding and trading of asphaltic rocks
Sino Prosper Northasia Travel Development Limited	British Virgin Islands	US$1	–	100%	Investment holding

Notes To The Financial Statements

For the year ended 31 March 2007

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest held by the Company Direct	Indirect	Principal activities
Sino Prosper Management Limited	Hong Kong	HK$1	–	100%	Not yet commenced business
Sino Prosper Minerals Investment Limited	Hong Kong	HK$1	–	100%	Not yet commenced business
Sino Prosper Ethanol Development Limited	Hong Kong	HK$1	–	100%	Not yet commenced business
Sino Prosper Re-Energy Investment Limited	Hong Kong	HK$1	–	100%	Not yet commenced business
Sino Prosper Renewable Investment Limited	Hong Kong	HK$1	–	100%	Not yet commenced business
Dalian Haixin Investment Consultant Co., Ltd. (Note (ii))	PRC	US$9,756,710	–	100%	Provision of consultancy services
海南泰瑞礦產開發有限公司 (Note (iii))	PRC	RMB$2,000,000	–	95%	Trading of copper concentrate powder

Notes:

(i) P.T. Sino Prosper Indocarbon is a limited liability joint venture company incorporated in Indonesia which was established by the Group and its joint venture partners pursuant to a joint venture agreement dated 25 April 2005 for the purpose of extraction of bitumen in the bitumen mine in Buton Island, Indonesia.

Notes To The Financial Statements

For the year ended 31 March 2007

19. INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

Notes: *(continued)*

(ii) Dalian Haixin Investment Consultant Co., Ltd. is a wholly foreign owned enterprise established in the PRC.

(iii) 海南泰瑞礦產開發有限公司 is limited liability company established in the PRC.

(iv) None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**4,064**	–	**-**	–
Earnest Money (Note (i))	**-**	50,000	**-**	–
Prepayments, deposits and other receivables	**13,205**	14,118	**272**	–
	17,269	64,118	**272**	–

The Group allows an average credit period ranging from 30 to 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**4,064**	–

Notes To The Financial Statements

For the year ended 31 March 2007

20. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

Notes:

(i) On 4 May 2006, the Company announced that Sino Prosper Coal Mining Investment Limited ("SPCL"), a wholly-owned subsidiary of the Company, entered into a conditional agreement dated 28 March 2006 (the "Sky Gain Acquisition Agreement") with Ample Pacific Group Limited and On Faith Group Limited (the "Vendors") and the guarantors, pursuant to which SPCL agreed to acquire from the Vendors (i) the Sale Shares (as defined therein), representing the entire issued share capital of Sky Gain Development Limited ("Sky Gain"), at a consideration of HK$479,968,600; and (ii) the Sale Debts (as defined therein) at a cash consideration of HK$1. The consideration for the acquisition of the Sale Shares is to be satisfied by cash payment and by the allotment and issue of consideration shares of the Company.

Sky Gain is a company incorporated in Hong Kong and is the legal and beneficial owner of 51% of the registered capital in Xinjiang Jingxin Mineral Development Limited ("Xinjiang Jingxin Mineral"). Xinjiang Jingxin Mineral is a Sino-foreign equity joint venture enterprise established in the PRC and is principally engaged in coal mining development in Xinjiang, the PRC.

Earnest money of HK$50 million in cash (the "Earnest Money") was paid by the Group to the Vendors upon signing of the Sky Gain Acquisition Agreement.

On 31 July 2006, the Company announced that pursuant to a termination deed entered into between SPCL and the Vendors dated 31 July 2006, SPCL and the Vendors have mutually agreed to terminate the Sky Gain Acquisition Agreement on 30 July 2006 in accordance with its terms. Earnest Money was subsequently refunded by the Vendors and received by the Group in September 2006.

(ii) The directors consider that the carrying amounts approximate their fair values.

Notes To The Financial Statements

For the year ended 31 March 2007

21. AMOUNTS DUE FROM MINORITY SHAREHOLDERS

The balances represents amounts due from the minority shareholders of P.T. Sino Prosper Indocarbon, a 65% owned subsidiary of the Company, of approximately HK$3,598,000 (2006: HK$3,583,000) and an amount due from a minority shareholder of 海南泰瑞礦產開發有限公司, a 95% owned subsidiary of the Company, of approximately HK$100,000 (2006: Nil). The amounts due are unsecured, interest-free and repayable on demand. The directors consider that the carrying amounts approximate their fair values.

22. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and bank balances that are interest bearing at prevailing market rate and have original maturity of three months or less. The directors consider that the carrying amounts of bank balances and cash approximate their fair values.

At 31 March 2007, the Group had bank balances of approximately HK$248,756,000 (2006: approximately HK$125,083,000) which were denominated in Renminbi and placed with banks situated in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	**228**	–	**-**	–
Other payables and accruals	**15,169**	12,395	**1,295**	1,035
	15,397	12,395	**1,295**	1035

Notes To The Financial Statements

For the year ended 31 March 2007

23. TRADE AND OTHER PAYABLES *(CONTINUED)*

The following is an aged analysis of trade payables at the balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**228**	–

The directors consider that the carrying amounts approximate their fair values.

24. OBLIGATION UNDER A HIRE-PURCHASE CONTRACT

At 31 March 2007, the Group had obligation under a hire-purchase contract repayable as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**226**	226
After 1 year but within 2 years	**226**	226
After 2 years but within 5 years	**150**	376
	602	828
Less: Future finance charges	**(105)**	(145)
Present value of minimum lease payments	**497**	683

	2007	2006
	HK$'000	*HK$'000*
Present value of minimum lease payments repayable:		
Within one year	**186**	186
After 1 year but within 2 years	**186**	186
After 2 years but within 5 years	**125**	311
	497	683

Notes To The Financial Statements

For the year ended 31 March 2007

25. SHARE CAPITAL

	Number of shares	Amount
Ordinary shares of HK$0.01 each:		*HK$*
Authorized:		
Ordinary shares of HK$0.01 each		
At 31 March 2006 and 2007	**20,000,000,000**	**200,000,000**
Issued and fully paid:		
At 1 April 2005	915,000,000	9,150,000
Exercise of warrants (Note (i))	183,000,000	1,830,000
Exercise of share options (Note (ii))	51,500,000	515,000
At 31 March 2006 and 1 April 2006	1,149,500,000	11,495,000
Issue of new shares (Note (iii))	49,763,158	497,632
Exercise of share options (Note (ii))	74,900,000	749,000
At 31 March 2007	**1,274,163,158**	**12,741,632**

Notes:

(i) During the year ended 31 March 2006, 183,000,000 shares were issued upon the exercise of the subscription rights attaching to the warrants at the exercise price of HK$0.19 per share, giving rise to net proceeds of approximately HK$34,770,000 (Note 26).

(ii) During the year ended 31 March 2007, 74,900,000 shares (2006: 51,500,000 shares) were issued upon the exercise of share options at exercise prices ranging from HK$0.340 to HK$0.710 per share (2006: HK$0.220 to HK$0.475 per share), giving rise to aggregate net proceeds of approximately HK$50,091,000 (2006: HK$20,950 ,000).

Notes To The Financial Statements

For the year ended 31 March 2007

25. SHARE CAPITAL *(CONTINUED)*

Notes: *(continued)*

(iii) On 3 February 2006, the Company announced that it had entered into a subscription agreement dated 24 January 2006 (the "Beijing CMIL Subscription Agreement") with Beijing China Metallurgy Investment Limited (北京中冶投資有限公司) ("Beijing CMIL"), pursuant to which Beijing CMIL has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 49,763,158 new ordinary shares at the subscription price of HK$0.80 per subscription share. The market price of the Company's share is HK$0.67 per share on 23 December 2006, being the date on which the terms of issue is fixed and the last trading date prior to the information on the subscription was made public.

On 4 May 2006, the Company further announced that completion of the Beijing CMIL Subscription Agreement took place on 27 April 2006 and an aggregate of 49,763,158 new ordinary shares subscribed by Beijing CMIL pursuant to the Beijing CMIL Subscription Agreement were allotted and issued to Beijing CMIL at the subscription price of HK$0.80 per subscription share on 27 April 2006. The net subscription price is a approximately HK$0.79 per subscription share. The subscription shares upon allotment and issue, ranked pari passu in all respects among themselves and with the shares then in issue. The new shares were allotted and issued under the general mandate granted to the Company's directors by resolution of the Company's shareholders passed at the annual general meeting of the Company held on 22 August 2005. The Company intends to apply the net proceeds therefrom of approximately HK$39,790,000 as general working capital of the Group and investment funding to the Group on possible investment projects.

26. WARRANTS

On 27 July 2005, the Company announced that it had entered into a conditional placing agreement dated 27 July 2005 with an independent investor in relation to a private placing of 183,000,000 non-listed warrants at an issue price of HK$0.01 per warrant. The warrants entitled the holder thereof to subscribe for new shares of the Company at an initial exercise price of HK$0.19 per new share (subject to adjustment) at any time during a period of three years commencing from the date of issue of the warrants. Each warrant carried the right to subscribe for one new share. The warrants were freely transferable in integral multiples of 10,000,000 warrants.

The warrants were issued on 19 August 2005 upon completion of the warrant placing agreement, and the Company received net proceeds of approximately HK$1,805,000 in respect of the placing of the warrants.

Notes To The Financial Statements

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26. WARRANTS *(CONTINUED)*

On 9 February 2006, the subscription rights attaching to the warrants were exercised, resulting in the allotment and issue of 183,000,000 new shares at the exercise price of HK$0.19 per new share (Note 25(i)). The Company received net proceeds of approximately HK$34,770,000 in respect of the allotment and issue of new shares. The new shares were issued under the general mandate granted to the directors of the Company by resolution of the Company's shareholders passed at the extraordinary general meeting of the Company held on 21 February 2005.

The net proceeds from the placing of the warrants and from the issue of new shares upon exercise of the subscription rights attaching to the warrants were used for general working capital of the Group.

27. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 May 2012. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties including consultants as incentives for their contributions to the development of the Group.

The total number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Notes To The Financial Statements

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27. SHARE OPTION SCHEME *(CONTINUED)*

Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, and shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Movements in the share options during the years ended 31 March 2006 and 2007 are as follows:

2007

				Number of share options					Price of the Company's shares	
Category/ Name of directors	Date of grant	Exercisable period	Exercise price	Outstanding and exercisable as at 1 April 2006	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding and exercisable as at 31 March 2007	At grant date of options HK$ per share	At exercise date of options HK$ per share
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK$0.410	8,000,000	-	-	-	8,000,000	0.39	-
Mr. Yeung Kit	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	1,400,000	-	-	-	1,400,000	0.47	-
	12 January 2005	12 January 2005 to 11 January 2015	HK$0.410	5,000,000	-	-	-	5,000,000	0.29	-
Master Hill Development Limited (Note (i))	29 November 2004	29 November 2004 to 28 November 2014	HK$0.460	3,000,000	-	-	-	3,000,000	0.45	-
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	800,000	-	-	-	800,000	0.47	-

Notes To The Financial Statements

For the year ended 31 March 2007

27. SHARE OPTION SCHEME *(CONTINUED)*

2007

				Number of share options					Price of the Company's shares	
Category/ Name of directors	Date of grant	Exercisable period	Exercise price	Outstanding and exercisable as at 1 April 2006	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding and exercisable as at 31 March 2007	At grant date of options HK$ per share	At exercise date of options HK$ per share
Mr. Cai Wei Lun	8 May 2006	8 May 2006 to 7 May 2016	HK$1.46	–	3,400,000	–	–	3,400,000	1.46	–
Directors				18,200,000	3,400,000	–	–	21,600,000		
Employees	7 October 2004	7 October 2004 to 6 October 2014	HK$0.450	1,000,000	–	(1,000,000)	–	–	0.44	1.46
	29 November 2004	29 November 2004 to 28 November 2014	HK$0.460	800,000	–	(800,000)	–	–	0.45	0.83
	8 May 2006	8 May 2006 to 7 May 2016	HK$1.46	–	54,000,000	–	(31,000,000)	23,000,000	1.46	–
	23 June 2006	23 June 2006 to 22 June 2016	HK$0.69	–	4,000,000	(4,000,000)	–	–	0.67	0.83
	1 September 2006	1 September 2006 to 31 August 2016	HK$0.71	–	26,000,000	–	–	26,000,000	0.71	–

Notes To The Financial Statements

For the year ended 31 March 2007

27. SHARE OPTION SCHEME *(CONTINUED)*

2007

Category/ Name of directors	Date of grant	Exercisable period	Exercise price	Number of share options: Outstanding and exercisable as at 1 April 2006	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding and exercisable as at 31 March 2007	Price of the Company's shares: At grant date of options HK$ per share	At exercise date of options HK$ per share
Consultants	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	1,400,000	-	(1,400,000)	-	-	0.47	1.46
	23 March 2005	23 March 2005 to 22 March 2015	HK$0.340	6,700,000	-	(2,700,000)	-	4,000,000	0.34	0.74
	8 May 2006	8 May 2006 to 7 May 2016	HK$1.46	-	20,000,000	-	(20,000,000)	-	1.46	-
	23 June 2006	23 June 2006 to 22 June 2016	HK$0.69	-	11,000,000	(11,000,000)	-	-	0.67	0.83
	1 September 2006	1 September 2006 to 31 August 2016	HK$0.71	-	10,000,000	-	-	10,000,000	0.71	-
	4 September 2006	4 September 2006 to 3 September 2016	HK$0.71	-	40,000,000	(34,000,000)	-	6,000,000	0.71	0.75
	17 October 2006	17 October 2006 to 16 October 2016	HK$0.66	-	20,000,000	(20,000,000)	-	-	0.63	0.70
Total				28,100,000	188,400,000	(74,900,000)	(51,000,000)	90,600,000		

Notes To The Financial Statements

For the year ended 31 March 2007

27. SHARE OPTION SCHEME *(CONTINUED)*

2006

				Number of share options				Price of the Company's shares	
Category/ Name of directors	Date of grant	Exercisable period	Exercise price	Outstanding and exercisable as at 1 April 2005	Granted during the year	Exercised during the year	Outstanding and exercisable as at 31 March 2006	At grant date of options HK$ per share	At exercise date of options HK$ per share
Mr. Leung Ngai Man	3 January 2005	3 January 2005 to 2 January 2015	HK$0.410	8,000,000	–	–	8,000,000	0.39	–
Mr. Yeung Kit	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	1,400,000	–	–	1,400,000	0.47	–
	12 January 2005	12 January 2005 to 11 January 2015	HK$0.410	6,600,000	–	(1,600,000)	5,000,000	0.29	0.89
Master Hill Development Limited (Note (i))	29 November 2004	29 November 2004 to 28 November 2014	HK$0.460	7,000,000	–	(4,000,000)	3,000,000	0.45	1.03
Mr. Chan Sing Fai	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	800,000	–	–	800,000	0.47	–
Directors				23,800,000	–	(5,600,000)	18,200,000		

Notes To The Financial Statements

For the year ended 31 March 2007

27. SHARE OPTION SCHEME *(CONTINUED)*

2006

				Number of share options				Price of the Company's shares	
Category/ Name of directors	**Date of grant**	**Exercisable period**	**Exercise price**	**Outstanding and exercisable as at 1 April 2005**	**Granted during the year**	**Exercised during the year**	**Outstanding and exercisable as at 31 March 2006**	**At grant date of options HK$ per share**	**At exercise date of options HK$ per share**
Employees	7 October 2004	7 October 2004 to 6 October 2014	HK$0.450	6,000,000	–	(5,000,000)	1,000,000	0.44	0.82
	29 November 2004	29 November 2004 to 28 November 2014	HK$0.460	8,000,000	–	(7,200,000)	800,000	0.45	0.69
	19 April 2005	19 April 2005 to 18 April 2015	HK$0.265	–	8,000,000	(8,000,000)	–	0.25	0.34
	11 May 2005	11 May 2005 to 10 May 2015	HK$0.220	–	4,000,000	(4,000,000)	–	0.20	0.26
Consultants	1 November 2004	1 November 2004 to 31 October 2014	HK$0.475	5,800,000	–	(4,400,000)	1,400,000	0.47	0.93
	29 November 2004	29 November 2004 to 28 November 2014	HK$0.460	16,000,000	–	(16,000,000)	–	0.45	0.73
	23 March 2005	23 March 2005 to 22 March 2015	HK$0.340	8,000,000	–	(1,300,000)	6,700,000	0.34	0.71
Total				67,600,000	12,000,000	(51,500,000)	28,100,000		

Notes To The Financial Statements

For the year ended 31 March 2007

27. SHARE OPTION SCHEME *(CONTINUED)*

Notes:

(i) Mr. Wong Wa Tak, who was appointed as an executive director of the Company on 14 January 2005, has beneficial interest in Master Hill Development Limited.

(ii) The total consideration received during the year from grant of share options amounted to HK$21 (2006: HK$2).

(iii) None of the share options were expired during the years ended 31 March 2006 and 2007.

(iv) The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed as of the exercise date of the share options is the weighted average of the Stock Exchange closing prices as of the dates on which the options were exercised over all of the exercises of options within the disclosure line.

(v) The exercise in full of the outstanding vested share options would, with the capital structure of the Company at 31 March 2007, result in the issue of additional 90,600,000 ordinary shares (2006: 28,100,000 ordinary shares).

28. SHARE-BASED PAYMENT TRANSACTIONS

	2007	2006
	HK$'000	*HK$'000*
Expenses in relation to share options granted to directors and employees	**103,721**	2,744
Expenses in relation to share options granted to consultants	**1,010**	–
Expense in relation to the grant of the call option by the Controlling Shareholder to CMEC International Trading Import & Export Co., Ltd. in recognition of the proposed cooperation for the bitumen extraction project with the Group	**-**	12,640
Equity-settled share-based payment transactions	**104,731**	15,384

Notes To The Financial Statements

For the year ended 31 March 2007

28. SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

(a) Share options

The fair values of share options granted to directors, employees and consultants determined at the dates of grant are expensed over the vesting periods, with a corresponding adjustment to the Group's share options reserve.

The Company measures the fair values of share options granted to consultants by reference to the fair values of services received. The total fair values of the share options granted to consultants for the year ended 31 March 2007 amounted to approximately HK$1,010,000 (2006: Nil).

The Company has used the Black-Scholes option pricing model (the "Model") to value the share options granted to directors and employees. The Model is one of the commonly used models to estimate the fair value of a share option. The value of a share option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of a share option.

Using the Model, the fair values of the share options granted to directors and employees on 19 April 2005 and 11 May 2005 were estimated to be approximately HK$2,008,000 and HK$736,000, respectively. The total fair values of the share options granted to directors and employees recognized in the income statement for the year ended 31 March 2006 amounted to approximately HK$2,744,000.

Using the Model, the fair values of the share options granted to directors and employees on 8 May 2006, 23 June 2006 and 1 September 2006 were estimated to be approximately HK$82,771,000, HK$2,620,000 and HK$18,330,000, respectively. The total fair values of the share options granted to directors and employees recognized in the income statement for the year ended 31 March 2007 amounted to approximately HK$103,721,000.

Notes To The Financial Statements

For the year ended 31 March 2007

28. SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

(a) Share options *(Continued)*

The significant inputs into the Model were share prices at the respective grant dates as shown in Note 27 above, exercise prices as shown in Note 27 above, expected volatility ranging from 106% and 167%, annual risk-free interest rate of approximately 4.0% (2006: 4.0%) (being the approximate yields of 10-year Hong Kong Exchange Fund Notes traded on the respective grant dates), expected life of options of approximately 10 years (2006: 10 years) and dividend pay out ratio of zero (2006: zero). The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices from the date of listing of the Company's shares (15 May 2002).

(b) Grant of call option by the Controlling Shareholder to CMEC International Trading Import & Export Co., Ltd. in recognition of the proposed cooperation for bitumen extraction project with the Group

On 20 July 2005, the Company announced that the Company was informed by Climax Park Limited (the "Controlling Shareholder"), a company holding approximately 52.49% interest in the Company on that date, that the Controlling Shareholder had entered into an option agreement dated 19 July 2005 (the "Option Agreement") in respect of a call option (the "Call Option") granted to CMEC International Trading Import & Export Co., Ltd. by the Controlling Shareholder to purchase 80,000,000 shares of the Company in recognition of the proposed cooperation for the bitumen extraction project with the Group in Buton Island, Indonesia. CMEC International Trading Import & Export Co., Ltd. is a wholly owned subsidiary of China National Machinery & Equipment Import & Export Corporation which had entered into an agreement with the Group on 17 March 2005 in relation to the cooperation for the bitumen extraction project in Buton Island, Indonesia.

According to the Option Agreement, the Call Option should be exercised in full at one time. The exercise price of the Call Option is 85% of the average closing price of the shares as quoted on the Stock Exchange for the last 5 consecutive trading days prior to the exercise date. The Call Option will expire in 36 months after the date of entering into the Option Agreement, i.e. on 19 July 2008.

Notes To The Financial Statements

For the year ended 31 March 2007

28. SHARE-BASED PAYMENT TRANSACTIONS *(CONTINUED)*

(b) Grant of call option by the Controlling Shareholder to CMEC International Trading Import & Export Co., Ltd. in recognition of the proposed cooperation for bitumen extraction project with the Group *(Continued)*

In accordance with HKFRS 2 *Share-based Payment*, transfers of an entity's equity instruments by its shareholders to parties that have supplied goods or services to the entity are share-based payment transactions. Further, in accordance with HK(IFRIC)-Int 8 *Scope of HKFRS 2*, the grant of the Call Option by the Controlling Shareholder to CMEC International Trading Import & Export Co., Ltd. in recognition of the proposed cooperation for the bitumen extraction project with the Group falls within the scope of HKFRS 2. For the year ended 31 March 2006, the Group recognized share-based payment expense of HK$12,640,000 in relation to the grant of the Call Option by the Controlling Shareholder to CMEC International Trading Import & Export Co., Ltd., with a corresponding increase in shareholder's contribution in equity, being the deemed capital contribution to the Company from the Controlling Shareholder.

The Company has used the Model to estimate the fair value of the Call Option. The fair value of the Call Option was estimated to be approximately HK$12,640,000. The significant inputs into the Model were share price at the date of the Option Agreement of HK$0.20, estimated exercise prices of HK$0.17 (being 85% of the 5-day average closing price of the shares prior to the date of the Option Agreement), expected volatility of 135%, annual risk-free interest rate of approximately 4.0% (being the approximate yield of 10-year Hong Kong Exchange Fund Notes traded on the date of the Option Agreement), expected life of the Call Option of 3 years and dividend pay out ratio of zero. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices from the date of listing of the Company's shares (15 May 2002).

Notes To The Financial Statements

For the year ended 31 March 2007

29. SHARE PREMIUM AND RESERVES OF THE COMPANY

	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Accumulated losses	Total reserves
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2005	59,480	–	5,063	–	(52,862)	11,681
Grant of call options by the Controlling Shareholder (Note 28(b))	–	–	–	12,640	–	12,640
Placing of warrants (Note 26)	–	1,830	–	–	–	1,830
Warrant issue expenses	(25)	–	–	–	–	(25)
Issue of shares upon exercise of warrants (Note 25(i))	32,940	–	–	–	–	32,940
Transfer of reserves upon exercise of warrants	1,830	(1,830)	–	–	–	–
Grant of share options (note 28(a))	–	–	2,744	–	–	2,744
Issue of shares upon exercise of share options (Note 25(ii))	20,435	–	–	–	–	20,435
Transfer of reserves upon exercise of share options	3,224	–	(3,224)	–	–	–
Loss for the year	–	–	–	–	(63,692)	(63,692)
At 31 March 2006	117,884	–	4,583	12,640	(116,554)	18,553

Notes To The Financial Statements

For the year ended 31 March 2007

29. SHARE PREMIUM AND RESERVES OF THE COMPANY *(CONTINUED)*

	Share premium	Warrants reserve	Share options reserve	Shareholder's contribution	Accumulated losses	Total reserves
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2006	117,884	–	4,583	12,640	(116,554)	18,553
Issue of new shares (Note 25(iii))	39,313	–	–	–	–	39,313
Share issue expenses	(21)	–	–	–	–	(21)
Grant of share options (Note 28(a))	–	–	104,731	–	–	104,731
Issue of shares upon exercise of share options (Note 25(ii))	49,342	–	–	–	–	49,342
Transfer of reserves upon exercise of share options	3,297	–	(3,297)	–	–	–
Cancellation of share options	–	–	(44,902)	–	44,902	–
Loss for the year	–	–	–	–	(81,791)	(81,791)
At 31 March 2007	**209,815**	**-**	**61,115**	**12,640**	**(153,443)**	**130,127**

Notes To The Financial Statements

For the year ended 31 March 2007

30. ACQUISITION OF A SUBSIDIARY

On 12 February 2007, the Group acquired 95% of the registered capital of 海南泰瑞礦產開發有限公司 for a considerations of RMB1,900,000.

The net assets acquired in the transaction are as follows:

	Acquiree's carrying amount before combination and fair value
	HK$'000
Amounts due from shareholders	**2,000**
Other receivables	**5**
Other payables	**(5)**
Minority interests	**(100)**
Net assets acquired and the total consideration	**1,900**

Net cash outflow arising on acquisition:

Cash consideration paid	**1,900**

海南泰瑞礦產開發有限公司 contributed loss of HK$1,996,000 approximately to the Group's loss for the period between the date of acquisition and the balance sheet date.

海南泰瑞礦產開發有限公司 did not have any significant revenue, profit or loss for the peirod from 1 April 2006 to the date of aquisition by the group (12 February 2007). If the acquisition had been completed on 1 April 2006, total group revenue for the year would have been approximately HK$20.14 million, and loss for the year would have been approximately HK$123.87 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2006, nor is it intended to be a projection of future results.

Notes To The Financial Statements

For the year ended 31 March 2007

31. CAPITAL COMMITMENTS

At 31 March 2007, the Group had the following commitments which were not provided for in the financial statements:

	2007	2006
	HK$'000	*HK$'000*
Authorized and contracted for:		
Acquisition of the land use right in the PRC (Note (i))	**1,300**	–
Investment in a joint venture company (Note (ii))	**47,500**	44,811

Notes:

(i) On 25 February 2007, the Group entered into an agreement for the acquisition of land use right in the PRC at a consideration of approximately RMB10.3 million (equivalent to approximately HK$10.3 million), of which HK$9,000,000 has been paid during the year ended 31 March 2007.

(ii) Pursuant to a joint venture agreement dated 4 February 2005 entered into between Sino Prosper Gas Limited ("SPGL" – a wholly owned subsidiary of the Company) and Lang Fang Development District Northern China Petroleum Sales Company (the "Joint Venture Partner"), SPGL and the Joint Venture Partner agreed to set up a joint venture company as an equity joint venture company in the PRC for a term of 30 years commencing from the date of issue of the business license of the joint venture company, which will be engaged in the wholesale, sales, transportation and storage of petroleum gas. Pursuant to the joint venture agreement, the registered capital of the joint venture company is RMB50 million (equivalent to approximately HK$50 million at 31 March 2007 (2006: HK$47.2 million)) which will be contributed as to RMB47.5 million in cash (equivalent to approximately HK$47.5 million at 31 March 2007 (2006: HK$44.8 million)) by SPGL from the internal financial resources of the Group, and as to RMB2.5 million in cash (equivalent to approximately HK$2.5 million at 31 March 2007 (2006: HK$2.4 million)) by the Joint Venture Partner.

Notes To The Financial Statements

For the year ended 31 March 2007

31. CAPITAL COMMITMENTS *(CONTINUED)*

Notes: *(Continued)*

(ii) On 15 March 2005, SPGL, the Joint Venture Partner and Wuhan Hengsheng Shimao Petroleum Natural Gas Pipeline Engineering Company Limited (the "New Joint Venture Partner") entered into a supplemental agreement. Pursuant to the supplemental agreement, the Joint Venture Partner agreed to withdraw and the New Joint Venture Partner agreed to replace the Joint Venture Partner in the formation of the joint venture company. The registered capital of the joint venture company to be contributed by SPGL as to approximately HK$47.5 million (2006: HK$44.8 million) remain unchanged and no contribution has been made by SPGL up to the date of approval of these financial statements.

As at the balance sheet dates, the Company had no significant capital commitments.

32. OPERATING LEASE COMMITMENTS

At 31 March 2007, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**825**	734
In the second to fifth years inclusive	**152**	332
	977	1,066

Operating leases relate to office premises with lease terms of between 1 to 2 years.

Notes To The Financial Statements

For the year ended 31 March 2007

33. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group entered into the following significant related party transactions for the year ended 31 March 2007:

Compensation to key management personnel

	2007	2006
	HK$'000	*HK$'000*
Short-term employee benefits	**4,080**	3,933
Post-employment benefits	**42**	39
Share-based payments	**4,903**	–
	9,025	3,972

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

34. LITIGATION

On 21 May 2007, the Company's legal advisors received a letter from the legal advisors of Mr. Kan Che Kin, Billy Albert ("Mr. Kan"), a substantial shareholder of the Company as at 31 March 2007, indicating that they have been instructed by Mr. Kan to initiate proceedings to petition to wind up the Company (the "Petition").

On 22 May 2007, the Company applied and successfully sought an injunction order (the "Injunction Order") from the High Court of The Hong Kong Special Administrative Region (the "High Court") against Mr. Kan which among other things, restrains Mr. Kan and his servants or agents or otherwise howsoever from presenting, filing or advertising any petition or taking any step for the winding up of the Company either in Hong Kong or in any part of the world. A summons dated 22 May 2007 under Order 29 of the Rules of High Court has been issued and filed with the High Court Registry on 23 May 2007 for the attendance by the Company and Mr. Kan of a hearing at the High Court on 30 May 2007 (the "Return Date") at 9:30 am of an application made by the Company for an order that the Injunction Order do remain in force beyond the Return Date.

Notes To The Financial Statements

For the year ended 31 March 2007

34. LITIGATION *(CONTINUED)*

On 30 May 2007, the High Court has ordered (upon application by way of consent summons dated 29 May 2007 signed by the respective solicitors for the Company and Mr. Kan) that among other things, (i) the Injunction Order do remain in force until otherwise varied or discharged by a further order of the High Court and (ii) the hearing of the summons filed by the Company on 23 May 2007 be adjourned to another date to be fixed.

On 22 June 2007, the Company's legal advisors received a letter from the legal advisors of Mr. Kan proposing a mutual stand still.

On 29 June 2007, the legal advisors of the Company and Mr. Kan agreed the proposed mutual stand still that, each side is at liberty to give one month's notice to the other side and, upon expiry of the notice, proceed to take steps for filing of the documents (i.e. for the Company: the statement of claim/for Mr. Kan: his affirmation). Each side will, upon request, provide necessary confirmation of no objection to the filing out of time of such documents. Thereafter, parties would proceed with the action in manner as they see fit.

As of the date of approval of these financial statements, neither the Company nor the legal advisors of the Company receive any notice from Mr. Kan or his legal advisors or aware of any such notice being sent by Mr. Kan or his legal advisors. The Injunction Order remains in force as of the date of approval of these financial statements.

35. POST BALANCE SHEET EVENTS

On 21 May 2007, the Company announced that it had entered into the warrant subscription agreement dated 16 May 2007 with an independent investor in relation to a private placing of 244,000,000 non-listed warrants at an issue price of HK$0.01 per warrant. The warrants entitled the holder thereof to subscribe for new shares of the Company at an initial exercise price of HK$0.64 per new share (subject to adjustment) at any time during a period of three years commencing from the date of issue of the warrants. Each warrant carried the right to subscribe for one new share. The warrants were freely transferable in integral multiples of 4,000,000 warrants.

Financial Summary

For the year ended 31 March 2007

	Year ended 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
			(restated)		
Results					
Turnover	24,427	27,831	134,040	1,867	**20,138**
Profit/(loss) before taxation	(9,901)	3,701	501	(30,353)	**(123,875)**
Taxation	–	–	–	–	**-**
Profit/(loss) for the year	(9,901)	3,701	501	(30,353)	**(123,875)**
Attributable to:					
Equity holders of the Company	(9,665)	150	501	(29,913)	**(122,173)**
Minority interests	(236)	3,551	–	(440)	**(1,702)**
	(9,901)	3,701	501	(30,353)	**(123,875)**
Earning/(Loss) per share for profit/(loss) attributable to equity holders of the Company for the year					
Basic and diluted	(1.21 cents)	0.02 cents	0.06 cents	(3.13 cents)	**(9.91 cents)**

	As at 31 March				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
			(restated)		
Total assets	292,335	224,376	188,704	203,751	**280,513**
Total liabilities	(171,587)	(5,358)	(43,974)	(13,078)	**(15,894)**
	120,748	219,018	144,730	190,673	**264,619**
Equity attributable to equity holders of the Company	116,463	219,018	144,730	187,563	**263,104**
Minority interests	4,285	–	–	3,110	**1,515**
Total equity	120,748	219,018	144,730	190,673	**264,619**